



June 23, 2000

TO: Federal Home Loan Bank Presidents

NO-ACTION LETTER: Reporting cash flows and duration of equity with FIRREA obligation cash flows (2000-NAL-06)

This letter addresses the effect of an amendment made by Section 607 of the Gramm-Leach-Bliley Act, which changed the funding of the Federal Home Loan Banks (FHLBanks) annual REFCorp obligations from a fixed amount (\$300 million System-wide) to a variable amount (20 percent of each FHLBank's net earnings), effective January 1, 2000.

Background: Section VII.B.4. of the Finance Board Financial Management Policy (FMP) requires each FHLBank to report its cash flows and calculate its duration of equity (DOE) both with and without projected cash flows representing the FHLBank's share of the System's REFCorp and Affordable Housing Program (AHP) obligations. Because the Gramm-Leach-Bliley Act has changed the REFCorp obligation to an income-based, rather than a fixed-amount liability, the requirement to report interest rate risk with the REFCorp and AHP cash flows does not provide any meaningful information. Therefore, the FMP requirement to report those cash flows is unnecessary.

Conclusion: Finance Board staff will not recommend to its Board of Directors that supervisory action be taken against any FHLBank, nor will Finance Board staff undertake any such supervisory action for any FHLBanks failure to comply with Section VII.B.4. of the Finance Board FMP's requirement to report cash flows and DOE with projected REFCorp and AHP obligation cash flows.

A No-Action Letter represents a staff position and the Board of Directors of the Finance Board may modify or supersede the position taken by the staff.

If you have any questions, please contact Mitchell Berns, Director, Office of Supervision, at (202) 408-2562.

Sincerely,

*/s/ William W. Ginsberg*

William W. Ginsberg  
Managing Director